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RSPA-98-4868-17

November 22, 1991

Dockets Unit  
Room 8417  
Research & Special Programs Adm.  
U.S. Dept. of Transportation  
400 Seventh Street, SW  
Washington, D.C. 20590

Re: Comments on Proposed Rulemaking  
Definition of Gathering Lines

Gentlemen:

This is in response to your request for comments on the above subject which appeared in the Federal Register Vol. 56 No. 186 Sept. 25, 1991 starting on page 48505,

This organization, Southeastern Ohio Oil and Gas Association (SOOGA), represents at least 148 oil and gas producers in southeastern Ohio and West Virginia. Our members are primarily small businesses and independent producers. Many of these entities are family owned and operated, some of which are in the fourth generation of ownership and operation. For the most part, our members live in close proximity to the wells and pipelines that form the basis for their livelihood. We are an integral part of our local community, and a vital part of the local economy in an area which has traditional high unemployment. The local employment opportunities in many of our communities have been severely reduced by the collapse of the local coal mining industry which is caused by new regulations under the Clean Air Act. All of the coal in our area is classified as high sulfur and, thus, there is no market for it due to the new regulations.

Our area does not need another economic blow similar to that which our local coal mining industry is experiencing. The proposed rule making will do just that to our local oil and gas industry.

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In our area, the wells produce both oil and gas at the stripper level of production. Many of our wells are up to ninety years old, While they are not big producers, the production we obtain is steady and can be depended on to last for many years. This longevity and steady, if modest, production of both oil and gas is the basis for employment and opportunity of our citizens. Your proposed regulations would destroy that,

Because almost every well that produces oil also produces natural gas and because state law prohibits venting or wasting of gas (Ohio) or flaring of gas (West Virginia), each of these wells has a pipeline which gathers this gas and delivers it to a sales point. Sometimes this sales point is a public utility gas line, sometimes it is an **enduser** manufacturing operation such as a brick or glass plant or a sawmill where wood products are dried. Many times this gas is utilized in our local small rural communities which are not served by public utility gas systems.

For large numbers of our neighbors, natural gas is the only viable form of heat for older homes often occupied by senior citizens. To retrofit these older homes for another heating source could be difficult and expensive, often beyond the reach of those on a limited income.

Because of the small volumes of production from each of these wells, it would not be economic to directly connect to a sales point. Thus, over the years, a system of gathering lines has been built up which handles gas from more than one well owner. Often, a producer will allow a neighboring producer to connect to his line to provide an outlet for the small quantity of gas for which it would not be economic or feasible to run a separate gas line for that neighbor's well.

The situation I have described above is very common in our area and is a long standing custom of cooperation among our local producers. The portions of your proposed rulemaking that interject the concept of custody transfer into your proposed determination of gathering or transmission/distribution facilities will seriously affect and jeopardize these long standing relationships among small independent producers who are trying to utilize a natural resource rather than allow it to be wasted.

The use of custodial transfer as a factor in the determination of gathering or transportation status will cause severe economic hardship. If you determine that what is now a gathering line should be reclassified to transportation status, will it then be expected to be upgraded to the construction requirements of a transportation line?

Our gathering lines were constructed to a safe standard, but an entirely different standard from that required for the transmission lines commonly used by the few major transmission companies in our area. For example, many of our lines are constructed of plastic pipe, some of which is buried and some of which is upon the surface. In these instances, lines are constructed on top of the ground at the specific requirement of the U.S. Forest Service. The Forest Service is the largest single landowner in southeastern Ohio. In these instances, they specified that lines be constructed on the surface to minimize environmental impact on their forest areas. In a number of cases, they would not permit any ground disturbance. In these cases, the lines were constructed with only hand labor and horse teams; no bulldozers or trenches commonly associated with conventional pipeline construction were used.

If gathering lines passing through environmentally sensitive areas are required to be reconstructed to transportation standards, these areas will have to be bypassed. By requiring bypassing of areas where an easement can not be obtained because surface disturbing construction would be required, the cost would be very significantly greater.

There is nothing unsafe about the construction standards to which our gathering lines were built. We do not see any benefit to be gained by changing their classification to that of a transmission line along with the different construction and operation requirements. There is no history of incidents in our area which indicates that a change to a different but no more safer standard is advisable.

The use of metering points as a factor in determining the change from gathering to transmission status is also harmful to our area. A number of producers use metering points to monitor the throughput of individual segments of a gathering system. This may not be done for custodial transfer purposes but is simply done to monitor line performance,

In the Appalachian area generally and our area specifically, an important consideration in the oil and gas lease negotiated between a landowner and a producing company is the reservation by the landowner of free gas for his domestic use. In many cases, this reserved domestic gas is taken by the landowner at the individual well head. However, in an effort to help insure continuity of supply while an individual well might be shut down or out of service, a number of producers have provided taps on the gathering line system for the landowners' reserved domestic gas. Because these taps are often downstream from the meter measuring an individual well or lease's production, a meter is part of the tap. This way the landowner's gas usage is deducted from the well's measured production for purposes of royalty calculation. Without these tap points on a gathering system, the homes that depend on a supply of gas for domestic use would be greatly penalized. If the prospect of free gas for domestic use was eliminated, many landowners would not enter into an oil and gas lease. It is a long established local custom in our area that the landowners reservation of free domestic gas is a very important consideration for leasing. Your proposed rule making should not use the presence of such meters and taps for an excuse to reclassify a gathering line as a distribution line.

There are a number of industries in our area where the use of natural gas is essential for their product and no other heat source is usable. For example, in the manufacturing of specific types of bricks, the use of any other heat source other than natural gas will produce an undesirable (and unmarketable) color. Because these industries need a dependable source of gas and have experienced curtailments and interruptions from public utility gas systems, they have built or contracted gathering lines directly to wells in their plant location.

To classify these gathering lines as transportation/distribution and impose standards that were not contemplated when these lines were built would cause economic hardship and possible closing of the manufacturing operation with its attendant loss of jobs.

In order to meet the construction standards of a transmission line almost all of the gathering lines in our area would have to be reconstructed. The cost for this is estimated

at a minimum of \$ 5.00 per foot and could easily be as high as \$ 15.00 per foot. A brief survey of our members indicates that they operate approximately 1625 miles of gathering lines. If reconstruction is required, the cost of this would be \$ 42,900,000.00. This is just for a six county area in parts of two states. Thus, it is easy to visualize that the economic impact of the proposed rule making on the entire country will be in excess of \$ 100 million. Extrapolating our figures to cover the entire country will result in a very high figure for the first year. However, debt service and other costs are projected to **equalize** these costs over a number of years to equal a sum above the \$ 100 million/year cost threshold.

On page 48509 a statement is made that "RSPA will assist pipeline operator in overcoming any problems encountered in **complying** with these regulations." The biggest problem our members would have in complying with the proposed regulations is the financial cost to upgrade gathering lines, which are perfectly safe now, to the different standards of a transmission line. Additional costs would be incurred in the required periodic testing, monitoring and reporting processes. It is no secret that, in today's gas market, there is little if any profit in moving natural gas these days and there appears to be no change for the foreseeable future. Financing of the level required to pay for the proposed regulations is beyond the resources of most of our members,

Does the RSPA propose to provide funds to cover the cost of meeting the proposed regulations.? This is not addressed in the document. The massive amount of funding required for the reclassification of gathering lines to transmission lines needs to be considered and addressed before adoption of the proposed rules,

In our part of the country, there is no compelling reason to reclassify gathering lines as transportation/distribution lines. We expect that the rest of the Appalachian area is not any different from our area. Thus, our association recommends that the proposed rules not be adopted and that conditions remain as they are now.

In the alternative, if proposed rules are adopted we recommend that:

1. Change of custody of gas not be a determining factor in line status determination.

2. A gathering line would not be considered as a transmission line until the gas is transferred to a public utility gas system. ✓

3. An exemption for present gathering lines that provide gas to residents of leasehold tracts or to residents of right of way tracts be made so such systems are not considered as transportation/distribution systems.

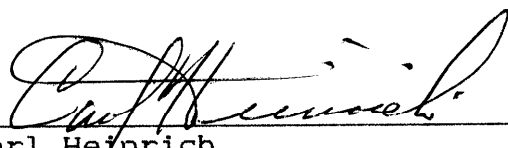
4. That pipe size, pressure rating and other operating parameters be considered in the determination of line status. We recommend that no line which is less than 8 inches in diameter and not now classified as transmission or distribution by either FERC or a state public utility authority be considered for a status change under any proposed rulemaking.

5. Gas gathering lines which presently supply gas to industrial endusers and which are exempt from public utility regulation continue to be classified as gathering lines. Direct delivery to endusers should not be a determining factor in reclassification of such lines to transportation/distribution status.

Thank you for the opportunity to supply these comment:;. Should you need additional information or any amplification of our comments, we would welcome that opportunity.

Southeastern Ohio Oil & Gas Assoc.

By:

  
Carl Heinrich  
Member of Governmental Affairs  
Committee

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